

VZCZCXRO6034
PP RUEHCD RUEHGD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM
DE RUEHME #4726 2431922
ZNR UUUUU ZZH
P 311922Z AUG 07
FM AMEMBASSY MEXICO
TO RUEHC/SECSTATE WASHDC PRIORITY 8700
INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS MEXICO 004726

SIPDIS

SENSITIVE
SIPDIS

STATE TO WHA/MEX FOR ELIZABETH WOLFSON
STATE TO EEB/IFD/OIA FOR JOHN FINN
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GERI WORD
TREASURY FOR IA (ALICE FAIBISHENKO)

E.O. 12958: N/A
TAGS: [EINV](#) [ECON](#) [EFIN](#) [MX](#)
SUBJECT: FDI IN MEXICO EXPECTED TO REACH 23 BILLION USD

REF: MEXICO 3124

Summary

¶1. (U) Summary. The Mexican government revised its foreign direct investment (FDI) forecast for 2007 upward to 23 billion USD after a stronger than expected first half of the year. The manufacturing sector is the number one recipient of FDI, while the United States continues to be the number one investor. The numbers are promising, but need to be repeated trimester over trimester to prove that Mexico has increased its pull on FDI. End Summary

FDI for 2007 25% More Than Last Estimate

¶2. (U) The government of Mexico (GOM) revised its FDI forecast for 2007 after investment figures from the Bank of Mexico showed stronger than expected investments for the January to June period. The new forecast, 23 billion USD is 25.6% more than the forecast issued at the end of 2006, of 18.3 billion USD. If Mexico achieves the forecast it would post the largest annual investment since 2001.

¶3. (U) The GOM estimates investment for January-June 2007 is 13.2 billion USD, 52% more than for the same period last year. This includes 9.4 billion USD that has actually been reported, and an additional 3.8 billion USD that the Secretariat of Economy (Economia) estimates will be reported

SIPDIS
in the future. The estimate is consistent with Economia methodology. Director General of Direct Investment, Gregorio Canales Ramirez previously explained to EconOff that FDI annual figures can increase by billions of dollars after the initial reports as companies frequently submit information on investments many trimesters after the investments were actually made. FDI for this period is the second largest in Mexican history, bested only by the second half of 2001, which included a 12.5 billion USD acquisition of banking company Banamex by Citigroup.

Major Players: Manufacturing Sector and U.S. Investors

¶4. (U) Of the investment, 43.3% (5.7 billion USD) was directed towards new investments, 21.2% (2.8 billion USD) on reinvestments and 35.4% (4.7 billion USD) on investment between company accounts. The primary recipient of FDI continues to be the manufacturing sector with 44.2%. The

financial services sector received 29%. The transportation and communications sector only received 3.9%. The United States continues as Mexico's primary source of investment with 60.7% of total FDI. Spain was second with 13.9%. Tax friendly Bermuda, Virgin Islands and Holland were the source of a combined 15.1% (reftel).

Comment

15. (SBU) Though the numbers look positive, it is too early for the Calderon administration to declare victory. The increase in investment is being billed by the GOM as proof that Mexico is a promising location for foreign investment. The numbers do show potential. Over the past seven years the average FDI for the January to June period has averaged only 10 billion USD. That being said, FDI in Mexico is subject to large fluctuations, usually attributable to acquisitions (such as the previously mentioned Citigroup purchase) and other one-time investments. If the country can consistently see year over year improvement in FDI, particularly in neglected sectors such as transportation and communication, then there would be cause for increased optimism and proof that President Calderon's push to attract FDI has been successful.

Visit Mexico City's Classified Web Site at
<http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap/> /
GARZA